

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
NORFOLK DIVISION

UNITED STATES OF AMERICA, :  
Libelant, :  
-v- : ADMIRALTY NO. 7477  
: AFFIDAVIT  
Tanker MEACHAM and her tackle :  
apparel, furniture, equipment, etc., :  
in rem. :

STATE OF NEW YORK )  
COUNTY OF NEW YORK ) ss.

C.D. SHIAH, being duly sworn deposes and says:

I am the representative in the United States of Chinese Petroleum Corporation, which is a wholly owned subsidiary of a department of the Nationalist Government of China.

My attention has been called to the fact that the United States Government has commenced proceedings in this Court seeking to forfeit the American tanker MEACHAM. I have been advised that the United States Government contends that control of Meacham Corporation, owner of the tanker MEACHAM, was conferred upon certain Chinese interests. Apparently one of the principal claims of the Government in this connection is that Chinese Petroleum Corporation "controlled" Meacham Corporation as a result of a certain promissory note which was given by Meacham Corporation to Chinese Petroleum Corporation. The purpose of this affidavit is to call to the Court's attention the provisions of this note from which it can readily be seen that Chinese Petroleum Corporation most clearly did not and could not control the debtor corporation. A copy of the note is annexed hereto and marked Exhibit "A".

I wish to call the Court's particular attention to certain more important provisions in the note. The note was payable in installments over a period of over seven years. More than this, however, the position of Chinese Petroleum Corporation was particularly weak in that not only was the note in essence an income note but could, it would seem, be extended by the debtor more or less indefinitely. In this connection the note provides:


"If the net income of the Corporation, as hereinafter defined, shall be insufficient to permit the payment in full of the installment or installments of this note coming due in such year, the due date of the unpaid deficiency of such installment or installments shall be extended from year to year, if necessary, until the final maturity of this note on February 15, 1957, and thereafter for two additional years if necessary, and thereafter on mutually agreeable terms, until the Corporation has accumulated sufficient net income, as hereinafter defined, to enable it to pay such installment or installments."

It is difficult to see how a creditor who is in such a weak position as a holder of a note containing such provisions as the above could possibly be said to "control" the debtor corporation.

I understand that the United States Government has called attention to the fact that the vessel MEACHAM could not be sold without the approval of the payee of the note. Such a provision in no way places control of the debtor corporation in the hands of the creditor. It is one of the routine and common provisions in loans designed to give some measure of safety to the creditor and to prevent the squandering or dissipation of the debtor's assets. In other words the obvious purpose of such a provision is to prevent the debtor from disposing of its principal asset at a ridiculous price and thus in effect avoiding its obligation to repay a loan. It in no way places any control in the hands of the creditor over the Meacham Corporation nor does it enable it

to dictate the Corporation's policies or the operations of the vessel. Of course, once the note was paid in full Chinese Petroleum Corporation would have no further claim of any kind whatsoever against the vessel's owner, the Meacham Corporation.

Chinese Petroleum Corporation does not now and never has owned or had any interest in any stock of Meacham Corporation or of any corporation affiliated with or in any way related to Meacham Corporation. In short, I wish to emphasize that there was no agreement or understanding whatsoever by which control of Meacham Corporation was conferred upon or permitted to be exercised by Chinese Petroleum Corporation or any employee or representative thereof and that control of the corporation was not in fact exercised by said Chinese Petroleum Corporation or any employee or representative thereof.



Sworn to before me this

14th day of November, 1951.

*Gerald Herman*

Notary  
Q. J. A. S. V. Co.  
Clerk of Court  
Term Expires March 30, 1952

November 10, 1949

## November 10, 1949

with interest from September 19, 1961, at the rate of four per cent per annum for the year ending September 19, 1960, and thereafter at the rate of three per cent (\$3.00 per annum) until the balance is paid in full. All interest to be computed on the unpaid balance and paid on the dates hereinabove set forth.

The Notes Herein are all the notes issued by the Corporation on July 14, 1955 and the note secured thereby shall be paid in full more than one year from August 15, 1955 then and in such even months and at the same rate of interest as may be agreed upon by the Corporation and the Holder of the note at the time of the making of the same and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of the first payment thereon shall be at the month of the year of the first payment thereon and the date of

If the net income of the Corporation for any year shall be defined, shall be more than sufficient to permit payment in full of the installment or installments of the note then then the gross net income over the amount of such installment or installments shall be applied to the prepayment of the note the term "net income" for any year shall mean the gross income of the Corporation for such year, before payment of any deduction for the amount of (1) any operating expenses of the Merchants (unless taxed under harbor charter) and any other expenses of all overhead expenses not in excess of \$15,000, (2) provision for taxes, if

The foregoing provision for the extension of the payment dates of the installments on this note shall only be effective, however, if there has been no default by the Corporation under the provisions hereof and no default by United Tanker Corporation under the provisions of the charter parties between the Corporation and United Tanker Corporation bearing even date here with, a copy of which has been furnished the Payee.

The indebtedness hereby created shall rank prior to all other indebtedness of the Corporation except the indebtedness to Chemical Bank & Trust Company created by the Corporation's assumption of the liability under the first preferred ship mortgage dated May 14, 1948 covering the SS Neacham.

The Corporation agrees that, at the request of the Payee, and subject to the consent of the holder of the first preferred ship mortgage dated May 14, 1940 on the Memphis, it will promptly execute a second preferred ship mortgage on the said Memphis to some New York bank or trust company as trustee to secure this note. The Corporation further agrees that, at the request of the Payee, it will, at such time as the first preferred ship mortgage on said Memphis shall have been paid in full and discharged, execute a first preferred ship mortgage on the Memphis to some New York bank or trust company as trustee.

Until this note shall have been fully paid the Payee agrees that without the prior written consent of the Payee:

(1) It will not sell, transfer or otherwise dispose of the Mouchon.  
 (2) It will not purchase or otherwise acquire or sell, transfer or otherwise dispose of any vessel.  
 (3) It will not sell, transfer or otherwise dispose of the \$250,000 par value preferred stock of United Tanka Corporation owned by the Corporation. In the event of the sale of such preferred stock with the consent of the Payee, so much of the proceeds of the sale, together with interest accrued on it, as may be required immediately due and payable as equalized payments on the principal sum of the note, shall be paid to the Payee with the first payment due and payable as provided herein. The Corporation agrees that the Payee shall have no obligation to pay any dividend or other distributions to the company to reimburse the physical custody of and certificates only upon presentation of satisfactory evidence that the note has been fully paid up with the written consent of the Payee.

(1) It is not necessary in any business other than that of buying, chartering and re-chartering the *Neorham* to disclose to the lender any indebtedness other than its existing indebtedness on the first perfected mortgage of the *Neorham* and to the note and other debt instruments so jointly required in the ordinary course of business in connection with the chartering and re-chartering of the *Neorham*.

The Corporation agrees that until the date shall have been fully paid the Pages through the duly authorized representatives shall have the right to inspect the books and account of the Corporation and shall be given full information as to the results of the operation of the Monarch. The Corporation will furnish the Pages as soon as practicable with a statement of the Monarch a detailed statement of the resources received and

2. The Corporation will within thirty (30) days after receipt of a written request of the Mayor, cancel the charter between the Corporation and United Negro College Fund, Inc. and the Board of Trustees of the Museum of all in any production by the Corporation of the films hereinafter referred to as the "films" and deposit the \$500,000 in any bank or banks, subject to the order of the Mayor, in a safe place. The Corporation will return the \$500,000 to the Mayor within thirty (30) days after receipt of a written request of the Mayor. The Corporation will endeavor to make good the films referred to in the above paragraph. The Corporation will endeavor to make good the films referred to in the above paragraph.

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This note is subject to the first preferred mortgage dated May 14, 1938 on the Merchants Chemical Bank & Trust Company and all requests submitted thereto, and the Mortgagee and assignee shall in no action will be taken to enforce any of the terms and conditions of any mortgage prior as security thereto and said first preferred mortgage shall have been fully paid in full.

11. If the value of the assets (therein called "assets of default") shall hangen or be continuing, that is to say, if default shall be made in the payment of any installment of principal or interest on this note (but the extension of the due date of any such installment is hereby being provided shall not be considered an event of default) or

(2) If the transportation of any instrument of the Merchant in its name as owner at the office of the Collector of Customs at Wilmington, Delaware, is a necessary or reasonable part of the vessel's first arrival at a Continental United States Port, or if said vessel is detained at such Port, Customs and United States Agents at that harbor may first fully document it, as

(3) If default shall be made by the Company in the performance of any of the other covenants or agreements set forth herein, and such default shall continue for or shall not have been made good within a period of thirty (30) days after written notice thereof shall be given to the Board of Directors of the Company, then the Board of Directors of the Company shall have the right to:

(4) If United Tanker Company, Inc. shall at any time be in default under the provisions of its charter of the *Menckam*, hereinafter dated hereon, then, as defined in Clause 11 hereof, the same shall be deemed to be in default as the master, as if the Corporation shall admit that it is in default.

10. If the Corporation shall become insolvent or be unable to pay its debts as they mature, or if the Corporation shall admit or attempt to admit or pay its debts as they mature, or shall make a general assignment for the benefit of creditors or to an agent for creditors (including, but not limited to, a substantial amount of its property or assets), or shall become or be adjudicated a bankrupt, or shall submit any petition in bankruptcy or for reorganization or to effect a plan or other arrangement with creditors, or shall file any petition or other petition or other petition filed in connection with submitting the material allegations thereof for an

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then, and upon the happening and continuance of any such event of default, by notice in writing to the Corporation, addressed to it at its principal place of business in New York, N. Y., or at such other address as the Corporation may hereafter designate to the Payee in writing, the Payee may declare the principal of and all interest then accrued on this note to be immediately due and payable, and such notice having been given, the principal of this note, together with all interest accrued thereon, shall become and be immediately due and payable without presentation, demand, protest, notice of protest, or other notice of dishonor of any kind.

and he or she immediately due payment of the amount of the same, together with all expenses incurred by the Corporation in the enforcement of this rule.

No person shall be held for the payment of the principal of or interest on this note or for any claim based hereon or otherwise in respect hereof against any incorporator, stockholder, director, trustee or officer of the Corporation, whether by virtue of any constitution, statute or contract of law or by the enforcement of any assessment or tax, or otherwise, all such liability being waived.

IN WITNESS WHEREOF, MEACHAM CORPORATION has caused this note to be signed in its corporate name by its duly authorized officer.

officers thereunto duly authorized.

NEACHAM CORPORATION

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W. H. Miller

Secretary.



**THE SUN**



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